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FEDERAL COMMUNICATIONS COMMISSION
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
Petition for Declaratory Ruling to	)	CC Docket No. 98-62
Declare Unlawful Certain RFP	)	
Practices by Ameritech	)	

COMMENTS OF MCI TELECOMMUNICATIONS CORPORATION

MCI TELECOMMUNICATIONS
CORPORATION

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Dated: June 4, 1998

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Table of Contents

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COMMENTS OF MCI TELECOMMUNICATIONS CORPORATION

MCI Telecommunications Corporation ("MCI"), pursuant to a Public Notice (DA 98-849) issued by the Federal Communications Commission (the "Commission"), hereby submits its comments regarding the above-captioned Petition for Declaratory Ruling filed by Sprint Communications Corporation, L.P. ("Sprint").

INTRODUCTION AND SUMMARY

As explained below, MCI supports fully the request by Sprint that the Commission rule that Ameritech's practices regarding Request for Proposal ("RFP") No. PR-002-98 violate the prohibitions against the provision of in-region interLATA services by a Bell Operating Company ("BOC") as contained in sections 251(g) and 271 of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the "Act" or "1996 Act"). 47 U.S.C. §§ 251(g), 271. In addition, MCI believes that the Ameritech RFP in question contains specific requirements and provisions that constitute unreasonable and unjust practices, in violation of section 201(b) of the Act. 47 U.S.C. § 201(b).[1] Moreover, the provisions contained in the Ameritech RFP enable Ameritech to engage in unjust and unreasonable discrimination, in

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[1] Sprint's submission of the Ameritech RFP in question as an attachment to its Petition for Declaratory Ruling represents the first time MCI saw the RFP.

violation of section 202(a) of the Act. 47 U.S.C. § 202(a).[2]

On or about March 2, 1998, Ameritech issued the RFP in question seeking bids from interLATA service providers "to team with Ameritech by offering interLATA services at the lowest price."[3] Under the terms of the RFP, the selected interexchange carrier ("IXC") would agree to provide only the interLATA transmission portion of the offering and provide billing information to Ameritech for the transported calls, including direct-dialed interLATA, operator services, international, Ameritech local exchange carrier ("LEC") Calling Card, collect and third-party billed calls so that Ameritech would directly bill customers of the offering.[4] Ameritech, on the other hand, would retain the exclusive right to provide all local and intraLATA toll services to customers participating in the offering.[5]

Further, Ameritech would have sole responsibility for marketing, provisioning and servicing all customers solicited under the offering.[6] All marketing of the offer would be conducted by Ameritech, with the materials and training necessary to market the selected IXC's

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[2] On April 10, 1997, MCI filed a complaint at the Commission against the Ameritech Operating Companies (File No. E-97-19) alleging that an Ameritech offering, under which WilTel was the sole provider of in-region interLATA services via Ameritech's 1-800-AMERITECH calling service, violates sections 201(b), 202(a), 251, 271 and 272 of the Act. MCI filed a similar complaint at the Commission against US West Communications Inc. ("US West") (File No. E-97-40) on July 28, 1997, alleging that US West's offering with Frontier for 1-800-4USWEST calling service violates sections 201(b), 251, 252, 271 and 272 of the Act. Although the records have closed in both cases, the Commission has issued no decision in the matters at the time of the instant filing.

[3] RFP § 1.1. MCI, however, has no record of having received the RFP.

[4] RFP § 2.3.1.

[5] RFP § 1.1.

[6] RFP § 2.3.16.

interLATA services provided to Ameritech by the selected IXC.[7] Moreover, the IXC chosen to participate in the offering would be "prohibited from marketing to customers of the joint offers, for so long as they remain customers of the joint offers, services which compete with or substitute for any part or parts of the joint offers."[8]

Under the terms of the RFP, the chosen IXC would remit payments to Ameritech on a monthly basis at the rate of three cents "per minute for all traffic carried by the IXC for customers subscribing to the joint offer."[9]

Ameritech would handle all customer service issues. In fact, Ameritech would be the "originating point of all customer service for customers on the plan,"[10] including customer service questions pertaining to the interLATA service portion of the offering. Further, under the terms of the RFP, the selected IXC would be required to "provide Ameritech electronic access (within 60 seconds) to individual accounts for service changes."[11]

InterLATA calling rates would be set at the time Ameritech and the selected IXC enter into an agreement, and the chosen IXC would be prohibited from raising prices at any time for the duration of the offering.[12] Ameritech would be responsible for billing all customers

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[7] Id.

[8] Id.

[9] Id.

[10] RFP § 2.3.18.

[11] Id.

[12] RFP § 2.3.10 (stating that the "IXC will commit to maintain the proposed price points and price structures throughout the term of the agreement").

participating in the offering and would be the customer contact for all initial inquiries regarding the in-region interLATA service provided under the offering.[13]

Following the issuance of the RFP and Ameritech's receipt of IXC bids, Ameritech announced on May 14, 1998, more than two weeks after the filing of Sprint's Petition for Declaratory Ruling, that it would begin providing combined local and long distance service under the program name "Ameritech's CompleteAccess."[14] Ameritech announced that Qwest had been selected as the IXC to participate in the offering.[15] Under the terms of the offering, business customers would receive a flat rate of 9.5 cents per minute, 24 hours a day, seven days a week for all state to state and instate calls. Residential customers would receive long distance rates of 7 cents per minute for state to state and instate calls placed on weekends and in evenings

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[13] RFP § 2.3.11.

[14] See May 14, 1998, Ameritech Press Release (posted on Ameritech's worldwide web page at "http://www.ameritech.com/news/releases/may_1998/14_01.html") (appended hereto as Attachment A); see also May 14, 1998, Qwest Communications Press Release (posted on Qwest's worldwide web page at "http://www/qwest.com/press/051498.html") (appended hereto as Attachment B).

[15] It should be noted that AT&T Corp. ("AT&T"), MCI, the Association for Local Telecommunications Services ("ALTS"), McLeodUSA Telecommunications Services, Inc. ("McLeod"), Focal Communications Corp. ("Focal"), KMC Telecom II, Inc. ("KMC"), and NextLink Communications Inc. ("NextLink") filed jointly a complaint in federal court against Ameritech alleging that its offering with Qwest violates the Act and requesting a temporary restraining order and preliminary injunction. AT&T, et al. v. US West Communications, Inc., No. 98-C-2993 (N.D. Ill. filed May 14, 1998). In addition, AT&T, MCI, ALTS, McLeod, ICG Communications, Inc., and GST Telecom, Inc. filed jointly a complaint in federal court against US West alleging that its offering with Qwest violates sections 251(g) and 271 of the Act. AT&T, et al. v. US West Communications, Inc., C. A. No. C98-634 (W.D. Wash. filed May 13, 1998). On May 29, 1998, the Commission filed a motion and memorandum in support of its motion for leave to appear and participate as amicus curiae in support of primary jurisdiction referral in the case of AT&T, et al. v. US West.

and 15 cents per minute during weekdays.[16]

The original compensation scheme contemplated in the RFP was altered from a per-minute basis to a per-ANI basis. Although the RFP stated that compensation would be set at 3 cents per minute of traffic each month to be paid by the participating IXC to Ameritech, the resulting agreement between Ameritech and Qwest set compensation at a flat rate of $30 per residential line and $100 per business line enrolled by Ameritech. Moreover, in the event a customer of the offering switches to another carrier, Ameritech would have the exclusive right to reacquire the customer and receive the same compensation for each successful reacquisition.[17]

I. AMERITECH'S OFFERING VIOLATES THE PROCOMPETITIVE PROVISIONS OF THE ACT

The fact that it is unlawful under section 271 of the Act for Ameritech to provide in-region interLATA service is undeniable.[18] The prohibition against the provision of in-region interLATA service by the BOCs, despite Ameritech's belief to the contrary, encompasses more than the mere transmission of in-region interLATA traffic. Under the arrangement, Ameritech is

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[16] Ameritech and Qwest entered into an agreement that included most of the terms set out in the initial RFP. On May 29, 1998, Sprint submitted a copy of that agreement into the record in this proceeding. Further, a recent Commission press release stated that the Commission has requested and is reviewing the Ameritech-Qwest agreement and contracts, including future modifications or amendments to those contracts. See William E. Kennard, Chairman, Federal Communications Commission, "Statement on US West/Ameritech/Qwest Agreement" (May 29, 1998) (a copy of which is appended hereto as Attachment C).

[17] See Qwest Press Release. In addition, the Qwest press release indicates that business customers enrolling in the plan select term agreements of one, two or three years.

[18] Ameritech has not received 271 authority from the Commission. Indeed, Ameritech's application for long distance authority in Michigan was rejected by the Commission on the basis that Ameritech had failed to meet the requirements of section 271.

participating fully -- not merely indirectly -- in the provision of long distance services. Ameritech markets and sells in-region interLATA service under the agreement, clearly favoring one carrier over all others. Further, Ameritech provides billing and customer service for the in-region interLATA service. Considering all elements of the offering under the RFP and the resulting agreement between Ameritech and Qwest, Ameritech is able to exclude competitors in the local and intraLATA toll markets, and favor Qwest in the in-region interLATA service market. The offering permits Ameritech to secure its share of the local and intraLATA toll market by unjustly and unreasonably discriminating against all other telecommunications service providers.

In creating the offering to provide all aspects of telecommunications service, Ameritech becomes inextricably intertwined in providing in-region interLATA service. Ameritech attempts to circumvent the strict prohibitions against a BOC's providing in-region interLATA service by relying on narrow and incorrect readings of the Act.[19] Such gamesmanship on the part of Ameritech should not be tolerated.

Through the offering contemplated in the RFP and the resulting agreement with Qwest, Ameritech has no incentive to open its local market to competition.[20] Ameritech is able to capture the IXC market through marketing its selected calling plan, Ameritech CompleteAccess,

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[19] See, e.g., Communications Daily, May 20, 1998 (reporting Ameritech's argument that the Qwest offering does not violate the Act because the companies merely are offering a package of services with the long distance service clearly labeled as a Qwest product).

[20] A BOC's receipt of in-region interLATA authority pursuant to section 271 of the Act has been made contingent upon the BOC's willingness to open its local market to competition. If Ameritech is permitted to provide in-region interLATA service without being required to obtain section 271 authority, the incentive to open its local market is greatly diminished.

and chosen carrier, Qwest. In addition, Ameritech is able to gather information about the long distance calling habits of Qwest's customers. Further, under the offering, Qwest is prohibited from marketing any competing services to their new customers. In providing the telecommunications services under the offering, Ameritech places itself in a position simply to absorb those consumers of the offering if and when Ameritech receives 271 authority from the Commission.

In effect, Ameritech acts -- and will be perceived -- as the IXC for those consumers to whom it markets and sells in-region interLATA service through the selected IXC. Moreover, Ameritech narrowly interprets section 271's prohibitions and concludes that it cannot be in violation of section 271 as it does not actually provide the transmission of such calls. Ameritech could not be more wrong. Transmission alone is not a requirement for satisfying "provide." The fact that virtually every action taken with respect to the provision of in-region interLATA service under the offering is performed by Ameritech means that Ameritech is in essence "providing" the prohibited service. Thus, the offering under the RFP and the resulting agreement between Ameritech and Qwest violate sections 251(g) and 271 of the Act.

II. AMERITECH'S OFFERING VIOLATES THE ACT'S PROHIBITION AGAINST BOC PROVISION OF IN-REGION INTERLATA SERVICE AS CONTAINED IN SECTION 271

Under section 271 of the Act, BOCs are strictly prohibited from providing in-region interLATA services unless and until the Commission grants an application that satisfies all the requirements of section 271 of the Act.[21] As explained above, Ameritech is solely responsible

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[21] 47 U.S.C. § 271(a).

for marketing the offering of local, intraLATA toll and in-region interLATA services under the arrangement contained in the RFP and the resulting agreement between Ameritech and Qwest. The offering will be marketed under the brand name "Ameritech's CompleteAccess."[22] Such a marketing effort clearly indicates that Ameritech provides and participates fully in the provision of all the telecommunications services offered under the arrangement.

Further, Ameritech will be responsible for all aspects of providing the telecommunications services under the offering. Ameritech markets and sells in-region interLATA service to consumers in the Ameritech region, carrying out all third-party verification requirements. Moreover, Ameritech acts as the customer service agent for all consumer inquiries regarding the services provided under the offering and the billing of such services, and sets and controls prices charged for interLATA service. With the single exception of carrying the interLATA transmissions, Ameritech is responsible for each and every aspect of providing local, intraLATA toll and interLATA service under the offering.

Despite Ameritech's contention to the contrary, the restrictions on the provision of interLATA services encompass more activities than simply the carrying of interLATA transmissions. For example, such restrictions clearly apply to the marketing of such services. Section 272(g)(3) of the Act specifically authorizes BOC "joint marketing and sale" of local and interLATA services, which would not have been necessary if such joint marketing were not otherwise prohibited by Section 272(a), which states that a BOC "may not provide" various types

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[22] See Ameritech Press Release dated May 14, 1998 (Attachment A).

of "interLATA . . . services" except through a separate affiliate.[23] Accordingly, the restriction in section 271 on a BOC's providing in-region "interLATA services" restricts the marketing and sale thereof. Thus, Ameritech's marketing and sale of in-region interLATA service under the offering constitutes its providing in-region interLATA service, in violation of section 271's prohibition against a BOC's providing such service.

The Commission will need to determine the full scope of the restriction in section 271(a) by recourse to all the standard tools of statutory construction. The primary tool the Commission should use is the Modification of Final Judgment ("MFJ"), which contained the identical language barring BOCs from "providing" interLATA service. Congress left this basic line-of-business restriction in the Act, word for word, carving out other exemptions, but adopting the terminology of "provide" from the MFJ. As Congress clearly intended, the term "provide," as contained in the Act, should be interpreted in the same manner as it was interpreted in the MFJ. Indeed, the Commission has declined "to adopt . . . proposed test[s] that [are] inconsistent with MFJ precedent and difficult to administer."[24] Further, the term "provide" must be interpreted in

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[23] Ameritech and other BOCs will no doubt argue that MCI has it backwards because Section 272(g)(2) states that a BOC "may not market or sell interLATA service" provided by its affiliate in-region until it obtains Section 271 authority, which would not have been necessary if marketing and selling of in-region interLATA service were already prohibited by Section 271. That is not the effect of Section 272(g)(2), however. As the Joint Conference Report explains, "section 272(g)(2) permits a BOC, once it has been authorized to provide interLATA service . . . to jointly market" its local service with its affiliate's interLATA service. Joint Explanatory Statement of the Committee of Conference, H.R. Conf. Rep. 104-458, 104th Cong., 2nd Sess., 152 (1996). Thus, the purpose and effect of both Sections 272(g)(2) and (g)(3) are to permit joint marketing and selling of BOC in-region interLATA service that would otherwise be prohibited by Section 272(a).

[24] See Non-Accounting Safeguards Order at ¶ 115 (stating that "restrictions imposed by [sec. 271] on BOC provision of interLATA services, like the interLATA restrictions of the MFJ,

a consistent manner throughout the Act. Under the MFJ, the court determined that the terms "provide" and "providing" had the same meaning wherever they were used in the MFJ and the MFJ ban on "providing" interLATA service included a ban on "furnishing, marketing, or selling" such service.[25] Moreover, the legislative history of the Act indicates that section 271 was intended to prohibit a BOC from "offering interLATA service within its region" prior to receipt of 271 authority from the Commission.[26]

Under the MFJ, the District Court held that BOCs may not choose the in-region interLATA carrier for their customers.[27] While the case involved shared tenant services, the notion that a BOC's selecting and procuring the services of an in-region interLATA carrier is tantamount to providing in-region interLATA service remains unquestionable. Further, under the MFJ, activities that comprise the business of providing long distance service were considered interLATA telecommunications services, whether or not they involved interLATA transmissions, and the same should hold true in applying section 271 of the Act.[28] Moreover, it was held that

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prohibit BOCs from bundling packages of interLATA and other services).

[25] United States v. Western Elec. Co., 675 F. Supp. 655, 665-6 (D.D.C. 1987).

[26] See Joint Explanatory Statement of the Committee of Conference, H.R. Conf. Rep. 104-458, 104th Cong., 2nd Sess., 147 (1996).

[27] See United States v. Western Elec. Co., 627 F. Supp. 1090, 1102 (D.D.C. 1986) (stating that "it is clear that the functions involved -- the selection of carriers and the procurement of interexchange services -- constitute integral parts of the interexchange business, and that, by performing these functions, the Regional Companies would be directly competing with the interexchange carriers for that business."); see also Sprint Petition for Declaratory Ruling to Declare Unlawful Certain RFP Practices by Ameritech, CC Docket No. 98-62, (filed April 28, 1998) at 5-7.

[28] See United States v. Western Elec. Co., 627 F. Supp. at 1100, 1102, appeal dismissed, 797 F.2d 1082 (D.C. Cir. 1986) (stating that BOCs cannot engage in "activities that comprise the

the MFJ prohibition against a BOC providing in-region interLATA service "clearly extends to any arrangement . . . between a BOC and an interexchange carrier that gives the BOC a direct financial stake in the success or failure of the interexchange carrier."[29]

Although Ameritech altered the original compensation scheme as considered in the RFP from a per-minute basis to a per-ANI basis, that slight change in itself does not make Ameritech any less reliant on the success of Qwest's in-region interLATA services provided under the offering, nor does such an alteration distance Ameritech from engaging fully in all of the activities that comprise the business of providing long distance services. As explained above, in the case of Ameritech's offering, Ameritech provides all aspects of in-region interLATA service to the consumers of the arrangement, including marketing, billing, customer service, and controlling the rate for in-region interLATA services.[30]

Concerning the question of permissible arrangements between a BOC and a nonaffiliated company, MCI is aware that the BOCs may argue that an offering like Ameritech's is permissible based on Commission decisions implementing section 275 of the Act, pertaining to alarm monitoring services. 47 U.S.C. § 275. The Commission, however, in its memorandum in

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business of providing interexchange services" -- that is, "the performance of functions that are normally and necessarily performed by those who are engaged in that business"); see also United States v. Western Elec. Co., 583 F. Supp. 1257, 1259 (D.D.C. 1984) (holding that BOCs are not permitted to "shape inter-LATA competition to suit its needs).

[29] See United States v. Western Elec. Co., 12 F.3d 225 at 231 (D.C. Cir. 1993).

[30] Further, under the agreement with Qwest, Ameritech agrees to "undertake all third party verification required by law or regulation." See Ameritech-Qwest Agreement at 15, § 15.

support of its motion for leave to appear and participate as amicus curiae,[31] stated that such decisions do not "necessarily stand for the general proposition that a BOC does not 'provide' services when it enters into a marketing agreement with a nonaffiliated company."[32] Further, the Commission stated in its memorandum that its decisions regarding BOC agreements with respect to alarm monitoring "are not determinative of the types of agreements, if any, they may enter into with long distance companies under section 271."[33]

Ameritech is in effect competing with IXCs for the provision of long distance services, and such BOC involvement in the provision of in-region interLATA services prior to receipt of section 271 authority should be ruled a premature and unlawful offering of in-region interLATA services under section 271 of the Act.

III. AMERITECH'S OFFERING VIOLATES THE EQUAL ACCESS AND NONDISCRIMINATION OBLIGATIONS IMPOSED UNDER SECTION 251(g) OF THE ACT AND CONSTITUTES UNREASONABLE DISCRIMINATION IN VIOLATION OF SECTION 202(a)

As Sprint points out, section 251(g) of the Act specifically continues the equal access and nondiscrimination requirements of the MFJ, in effect unless and until "explicitly superseded" by Commission regulations.[34] 47 U.S.C. § 251(g). The Commission found, following passage of the 1996 Act, that the MFJ's requirements pertaining to equal access and nondiscrimination have

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[31] See Memorandum of the Federal Communications Commission as *Amicus Curiae* in Support of Primary Jurisdiction Referral (filed May 29, 1998) at 8, AT&T, et al. v. US West, No. C98-634 WD (W.D. Wash. filed May 13, 1998); see supra n.15.

[32] Id.

[33] Id.

[34] See Sprint Petition for Declaratory Ruling at 6-7.

not been overruled and thus remain fully in effect.[35]

Under the MFJ, Ameritech must not discriminate among IXCs with respect to an Ameritech customer's choice of IXC. For example, the BOCs are prohibited from discriminating among IXCs with respect to calls placed by Ameritech customers through the use of Ameritech's calling cards.[36] Moreover, the Commission has further observed "that any equal access requirements pertaining to teaming activities that were imposed by the MFJ remain in effect until the BOC receives section 271 authorization[; thus,] to the extent that BOCs align with non-affiliates, they must continue to do so on a non-discriminatory basis."[37]

Although Ameritech may argue that it provided all IXCs a fair opportunity to participate in the offering, such an argument would be disingenuous as well as factually and legally inadequate,[38] since Qwest was selected to be the sole IXC for the in-region interLATA service in question. Although Ameritech has issued public statements to the effect it would consider permitting other carriers to participate in the offering, the terms of the offering are facially discriminating against a company such as MCI. Ameritech has stated that any other interested or potential participant must agree to operate under Ameritech's terms as contained in the

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[35] See Non-Accounting Safeguards Order at ¶ 292; see also 47 U.S.C. § 202(a), which prohibits common carriers from unreasonably discriminating in the provision of services.

[36] See 47 U.S.C. §§ 202(a), 251(g); see also United States v. Western Elec. Co., 698 F. Supp. 348 (D.D.C. 1988) (holding that while BOCs may issue calling cards, all BOCs must offer exchange access to all IXCs on an equal and nondiscriminatory basis).

[37] Non-Accounting Safeguards Order at § 293.

[38] See supra n.1.

Ameritech-Qwest agreement.[39]

Because Ameritech will promote and market the IXCs that participate in the offering, in order to avoid being discriminated against by Ameritech, every IXC would need to participate in the offering. Yet, under the terms of the agreement, any IXC participating in the offering would be required to pay Ameritech -- at a rate of $30 per residential ANI and $100 per business ANI -- to help Ameritech lock up the intraLATA toll market. MCI would never accept a deal that allowed Ameritech to leverage its bottleneck marketing power to take away MCI's intraLATA toll customers -- let alone pay Ameritech to take away MCI's customers. Few, if any, larger IXCs would be willing to relinquish the right to compete for intraLATA toll business. Moreover, under the terms of the agreement, any IXC participating in the offering would be required to allow Ameritech to dictate interLATA calling rates. In essence, Ameritech's offering would require IXCs to pay Ameritech extortion for not being discriminated against,[40] to give up the right to pursue intraLATA toll customers who participate in the offering, and to agree to a interLATA rate structure set by Ameritech.

Irrespective of Ameritech's announcement that it will entertain the possibility of accommodating multiple IXCs under the offering, the offering and the agreement between Ameritech and Qwest remains discriminatory. Ameritech's CompleteAccess offering clearly

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[39] See May 20, 1998, Ameritech News Release, "Ameritech Invites AT&T to Match Qwest Terms for Local-Long Distance Package" (appended hereto as Attachment D).

[40] If all IXCs participated in the offering, then Ameritech would be required simply to return to reading at random the list of available IXCs. Ameritech, however, would benefit tremendously under such an arrangement, because it would receive the $30 or $100 enrollment fee per ANI, and it would retain the right to provide all local and intraLATA toll services to such customers.

violates the equal access and nondiscrimination requirements under sections 202(a) and 251(g) of the Act.

IV. THE OFFERING PERMITS AMERITECH TO EXPLOIT ITS DOMINANCE IN ITS LOCAL AND INTRALATA TOLL MARKET TO SECURE A COMPETITIVE ADVANTAGE IN VIOLATION OF SECTION 201(b) OF THE ACT

Section 201(b) of the Act prohibits BOCs from engaging in unreasonable, anticompetitive practices. 47 U.S.C. § 201(b). Ameritech provides a discount structure for local monthly access, local usage charges and intraLATA toll service to those consumers who participate in the offering. In effect, if a customer takes all services from Ameritech, he will pay less than if he takes long distance service from another IXC. Because Ameritech retains its market dominance in the local and intraLATA toll markets in its service area, Ameritech's promotion and provision of in-region interLATA "Ameritech CompleteAccess" service exploits Ameritech's dominance in those markets by combining fully competitive interLATA service with its local and intraLATA toll services.

Ameritech has selected a single IXC to participate in the offering and plans to market that carrier's in-region interLATA transmission capabilities as the answer to "one-stop shopping." Other IXCs are not in a position to offer a similar calling plan that provides local and intraLATA toll services along with their interLATA services. Moreover, small business consumers in the Ameritech region become captive under the offering as Ameritech requires them to enroll in the offering for a period of one, two or three years. Under such an arrangement, it is clear that Ameritech is exploiting its monopoly power in its local market to obtain an unfair advantage in the interLATA and intraLATA toll markets, in violation of section 201(b) of the Act.[41]

Ameritech has a tremendous incentive to protect its intraLATA toll market share, and this offering provides Ameritech with the means to shield that service market from competition and to suppress further competition in the local and intraLATA toll markets. Under the terms of the offering, Ameritech is responsible for determining the rate to be charged to consumers of the offering, and the selected IXC is prohibited from increasing such rates for the duration of the offering. Considering the various elements of the offering as described in the RFP and the agreement between Ameritech and Qwest, it is undeniable that Ameritech will be able to stifle competition in the local and intraLATA toll markets and to skew competition in favor of Qwest or other small IXCs in the interLATA service market.

CONCLUSION

Although it does not transmit the interLATA service sold under the offering known as Ameritech CompleteAccess, Ameritech is responsible for each and every other aspect of providing local, intraLATA toll and interLATA service under the offering, including marketing, pricing, verification of changes in service providers, billing for interLATA calls and acting as the customer service agent for those consumers who participate in the offering. In effect, Ameritech acts as the IXC for those consumers to whom it markets and sells in-region interLATA service. Moreover, under the terms of the arrangement, the IXC selected to participate in the offering is

[41] See AT&T Communications, Transmittal Nos. 2071 and 2212, 5 FCC Rcd. 3833 (1990), appeal dismissed, No. 90-1415 (D.C. Cir. March 21, 1990), review denied, 7 FCC Rcd. 565 (1992) (holding that AT&T's tying of competitive services with service in which it has market power violates section 201(b) of the Act); see also, AT&T's Private Payphone Commission Plan, 3 FCC Rcd. 5834 (1988), recons. denied, 7 FCC Rcd. 7135 (1992).

prohibited from marketing any services to the consumers of the offering. Indeed, Ameritech retains the right to provide all local and intraLATA toll services to consumers of the offering.

The terms of Ameritech's RFP, as well as the resulting agreement with Qwest, in which Ameritech solicited bids for an offering to provide local, intraLATA toll and interLATA services in a single package of telecommunications services, violates the Act's provisions that prohibit BOCs from providing in-region interLATA service prior to receipt of authority from the Commission pursuant to section 271. Further, such an arrangement constitutes an unreasonable, anticompetitive practice that discriminates against IXCs and violates equal access and nondiscrimination obligations, in violation of sections 201(b), 202(a) and 251(g) of the Act.

Respectfully submitted,
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Dated: June 4, 1998

ATTACHMENT A

Ameritech

News Release

AMERITECH RELEASE: May 14, 1998

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Ameritech And Qwest Team To Provide Customers A Combined Local, Long Distance Offer

Ameritech's CompleteAccess Offer Meets Customers' Needs for Choice, Convenience, Simplicity and Value

CHICAGO and DENVER -- Ameritech and Qwest Communications today announced a teaming arrangement to offer residential and small business customers a combined local and long distance package of services, available from a single source.

As part of the arrangement, with one call, residential and small business customers in Ameritech's five state region - Ohio, Michigan, Illinois, Indiana and Wisconsin - will be able to sign up for CompleteAccess SM, a competitively priced package of local and long distance services on one single, convenient bill, supported by a single customer service number.

CompleteAccess brings together Ameritech's reliable local service and popular call management features at a discount with a breakthrough long distance offer from Qwest. For residential customers, CompleteAccess includes Ameritech local service and custom calling features and Qwest long distance service at the rate of seven cents per minute for evenings and weekends and 15 cents per minute during weekdays for all state to state and instate calls. For small business customers, CompleteAccess features Ameritech's ValueLink Extra-Select ™ volume discount local services and Qwest long distance service at a simple flat rate of nine and a half cents per minute, 24 hours a day, seven days a week for all state to state and instate calls.

"Customers want choice and convenience, and this offer responds to our customers by offering them the ultimate convenience," said Diane Primo, president of Ameritech product management. "For the first time, customers

will have the opportunity to choose a complete solution -- one that's simple, supported by attentive customer service and a tremendous value. The teaming of Ameritech and Qwest to offer a local and long distance package represents an historic first for Ameritech customers -- delivering immediate and tangible benefits to residential and small business customers."

"Qwest is pleased to work with Ameritech to provide customers with the choice of a convenient and competitive package of Ameritech local and Qwest long distance services," said Joseph P. Nacchio, president and CEO of Qwest. "CompleteAccess is a perfect example of a service offering that can be created in a competitive marketplace - a marketplace where customers are clearly the winners."

The introduction of CompleteAccess for residential and small business customers responds to growing customer interest in ordering a wide range of communications services with a single call. Ameritech found in a recent survey that nearly two-thirds of its customers want to be able to choose a package of telecommunications services with a single call.

"This offer supports Ameritech's strategy of speeding the growth in our core business by listening to the needs of our customers," Primo said.

Ameritech's residential customers interested in signing up for CompleteAccess may call 1-800-526-9399, and small business customers should dial 1-800-719-0200.

Ameritech (NYSE:AIT) serves millions of customers in 50 states and 40 countries. Ameritech provides a full range of communications services, including local and long distance telephone, cellular, paging, security services, cable TV, electronic commerce, Internet services and more. One of the world's 100 largest companies, Ameritech (www.ameritech.com) has 73,000 employees, one million shareowners and nearly $28 billion in assets. Qwest Communications International Inc. (NASDAQ:QWST) is a multimedia communications company building a high-capacity, fiber optic network for the 21st century. With its cutting-edge technology, Qwest will deliver high-quality data, video and voice connectivity securely and reliably to businesses, consumers and other communications service providers. Further information is available at www.qwest.net.

ATTACHMENT B

back

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This release may contain forward-looking statements that involve risks and uncertainties. These statements may differ materially from actual future events or results. Readers are referred to the documents filed by Ameritech and Qwest with the SEC, specifically the most recent reports on Form 10-Q, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements, including potential fluctuations in quarterly results, dependence on new product development, rapid technological and market change, failure to complete the network on schedule, volatility of stock price, financial risk management and future growth subject to risks.

CompleteAccess (SM) Background

CompleteAccess (SM) includes two ground-breaking packages of services that combine Ameritech's superior local service with